

ABERDEEN CITY COUNCIL

COMMITTEE	Enterprise, Planning & Infrastructure
DATE	22 January 2013
DIRECTOR	Gordon McIntosh
TITLE OF REPORT	Aberdeen Local Development Plan Policy on Affordable Housing Requirements for New Development
REPORT NUMBER:	EPI/12/277

1. PURPOSE OF REPORT

- 1.1. The Development Management Sub-Committee at its meeting on the 8th of November considered an application for 81 units at Friarsfield Road, Cults (this site will be developed to the extent of 280 units as per the Local Development Plan). The Sub-Committee discussed the affordable housing allocation for the site and the overall affordable housing policy.
- 1.2. The Sub-Committee approved the application and also made a number of further recommendations, one of which was “that a report be presented on the policy of 25% affordable housing provision and when it is appropriate for the planning authority to accept a commuted payment, and the calculation of that payment to maximise affordable housing provision in the city.” A commuted payment is a financial contribution made in lieu of providing affordable homes as a part of the housing development proposed.
- 1.3. The purpose of this report is to explain the details the current Local Development Plan policy that sets out the requirements for affordable housing for new developments. It also sets out a proposal for the Committee to consider with the intention of maximising affordable housing provision through the implementation of the policy.
- 1.4. In setting out a proposal this report summarises a variety of factors that are relevant to the delivery of affordable housing.

2. RECOMMENDATION(S)

- 2.1. It is recommended that the Committee agree for officers in planning and Sustainable Development to consult on proposals to amend the commuted payment and report back to this Committee with the results of this consultation with a proposed figure or method of calculation to be agreed.

3. FINANCIAL IMPLICATIONS

- 3.1. There are no direct financial implications resulting from this report, but following a review of the commuted payment this will affect money received when commuted payments are agreed through legal agreements under Section 75 of the Town and Country Planning (Scotland) Act 1997.

4. OTHER IMPLICATIONS

- 4.1. There are no other implications resulting from this report.

5. BACKGROUND/MAIN ISSUES

- 5.1. The Aberdeen Local Development Plan contains a policy that requires new housing developments of 5 units or more to contribute no less than 25% of the total number of units as affordable housing. Further guidance on the provision of affordable housing from new development is available in Supplementary Guidance, available at: <http://www.aberdeencity.gov.uk/nmsruntime/saveasdialog.asp?IID=31814&sID=14394> . The Supplementary Guidance details that for developments of 20 units or more the provision will be expected to be delivered on-site. The advantages of this approach is that it helps to deliver mixed communities and assists in the eradication of existing concentrations of deprivation and creates more sustainable communities where there is a range of housing opportunities for individuals and families as they age, as their household size changes and as their income increases or decreases. Another benefit is providing Registered Social Landlords (RSLs) with land or property, as at present RSLs do not hold extensive land banks in Aberdeen City. Without land in the control of RSLs this can lead to difficulties as there are no sites that can be delivered when funding is available.

Realities of delivering affordable housing

- 5.2. During the mid 1990s to 2007, there was considerable cross-subsidy of affordable housing on larger private sector housing sites. This was not enough to bridge the gap between targets and the amount which could be achieved with the Government's funds. During this period of prosperity evidence suggests that targets across the UK were not being achieved, which does not bode well for the chances in the current economic climate. Also, ensuring that the private sector meets its targets for the Structure Plan will be a challenge in itself.
- 5.3. It is important to clarify the role of the developer in the provision of affordable housing. In the case of an on-site provision there are a range of options currently available, and in all of the options there will be a receipt received by the developer. For example, to deliver social rented accommodation (or any other model of affordable housing) an

RSL will purchase the unit (house or flat) from the developer at an agreed value. In this situation the RSL is funding a proportion of the build cost and the land value. Therefore, the developer is only providing a share of the unit. However, there is an opportunity lost for a developer when providing affordable housing and the difference between what an RSL can afford to pay with current levels of grant and the open market value is likely to be greater than £25,000 in many locations.

- 5.4. The process of securing affordable housing or contributions towards the provision of affordable housing requires negotiation between the Council and developer. These negotiations, at the time of the application or pre-application discussion, will determine the actual requirement and the form of provision. These negotiations will consider any exceptional servicing costs for the development, and the impact of the requirement on the viability of the development. Current Supplementary Guidance recognises that as a part of new development there is a need to provide or make financial contribution towards major new infrastructure, such as schools, drainage, water and roads. Where a developer can demonstrate that there are exceptional costs, the requirement for affordable housing contributions may be reduced to ensure the cumulative burden on the overall development does not make the site unviable. In order to help the Council reach a view on the viability of the development, the developer must be required to provide a financial appraisal for the development that provides detailed financial information on the development costs and viability to be considered by the Council.
- 5.5. In addition to the current policy the Scottish Government wrote to planning authorities on 15 March 2011 on the topic of affordable housing highlighting the Government's desire to remove constraints to the development of housing land in the current economic climate. The letter went on to say that "authorities will also be aware of the significantly lower levels of public funding that are likely to be available to support the development of affordable housing in the coming years. In these circumstances I suggest that authorities, in drawing up and implementing planning policies on affordable housing, should consider whether contributions of 25% or more are likely to be deliverable in the current economic climate. Levels of affordable housing requirement that act to stifle overall levels of housing development are likely to be counter-productive. In certain cases the effect could be that development would not proceed at all."
- 5.6. The current financial circumstances and reductions in grants from the Scottish Government are having a significant impact on the ability for affordable housing to be delivered on-site through the implementation of this policy. With reduced Government funding for affordable housing we will have to consider alternatives, which might include further discounts made by the developer, additional funding found from other sources (which is already being done with the use of money from

Council Tax or commuted payments), mixed tenure developments that can service required finance or a combination.

Commuted payment

- 5.7. Within the current policy there is an allowance for a commuted payment, but this should only be considered for smaller developments, less than 20 units. Currently the commuted payment is set at £25,000 per house, which is a figure consistent across the Aberdeen Housing Market Area (this covers Aberdeen and the surrounding areas of Aberdeenshire).
- 5.8. Given the difficulties in the delivery of housing on-site the simple £25,000 commuted payment is an easier way for the developer to meet the requirements of the policy and there is the incentive that, depending on the location, there could be significant gains in providing more open market housing on-site instead of an affordable unit. There can in some instances be benefits to a developer of providing on-site affordable housing, especially in the early phases as there will be a guaranteed buyer for a set number of units and this may help to finance some of the early infrastructure investment.
- 5.9. There is currently a strong presumption in favour of on-site provision for developments larger than 20 units. Making an allowance for a developer to provide a commuted payment instead of on-site provision must be treated with caution, as this will generally be the preferred option for a developer who is seeking to maximise profit and remove any hurdles to development. A strong policy on this can help to ensure that the full cost of providing affordable housing is factored into development appraisals. Any negotiations with developers should, where applicable, start from the position of on-site provision and only after all else fails should commuted payments be considered.

Option to amend commuted sums

- 5.10. The figure for commuted sums is set by the Council, and the figure per plot is currently £25,000 (as of August 2010). This figure can be reviewed, but supplementary guidance has committed the Council to consult on any changes prior to implementation. As stated in paragraph 5.3 this figure is not equal to the opportunity value that is lost by a developer if they are providing units on-site.
- 5.11. Whilst increasing the commuted sum will not practically help to deliver additional affordable housing on-site it would make the option of a commuted payment less attractive and with a result the delivery of on-site may become more attractive or a more realistic commuted payment will be received, which can meet a greater proportion of housing need.

- 5.12. Any change to the commuted payment should be based on robust evidence and further work is required to identify either what a payment should be or an alternative means for calculating the commuted payment.

Proposal

- 5.13. There are a number of issues to research further in order to improve the delivery of affordable housing and it is proposed that we undertake a review of the affordable housing policy, but that the most appropriate time to do this is through a review of the Local Development Plan. The timetable for this is set out in the Development Plan Scheme, Report Number EPI/12/257.
- 5.14. In the short-term it is proposed that a review of the commuted payment will be undertaken to ensure that it is closer aligned to the opportunity value that is lost by a developer. The focus will remain for on-site delivery, but with a closer matched commuted sum it will lead to there being no or reduced benefit to be gained from making a commuted payment.

6. IMPACT

- 6.1 This Report is focused on ways that we can maximise the delivery of affordable housing and sustainable mixed communities. This has a direct link to the high-level priority in the 5 Year Business Plan 2013/14 – 2017/18 to “improve access to affordable housing in both the social rented and private sectors, by supporting first time buyers, regenerating areas within the city and by working with developers to maximise the effective use of planning gain contributions.” This would also support priorities under Smarter Living to reduce levels of inequality and meet national targets on homelessness.
- 6.2 This report is seeking agreement to undertake further work and consultation and there is no impact on equalities and human rights resulting from this report.

7. BACKGROUND PAPERS

Supplementary Guidance: Affordable Housing:

<http://www.aberdeencity.gov.uk/nmsruntime/saveasdialog.asp?IID=31814&slD=14394>

8. REPORT AUTHOR DETAILS

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